

# LOWE'S

May 29, 2009

Ms. Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, Northwest  
Washington, DC 20551

Regarding Docket Numbers R-1 2 8 6 and R-1 3 1 4; Comments on Regulation A A and Z Proposed Clarifications

Dear Ms. Johnson:

Lowe's appreciates the opportunity to comment on the proposed clarifications to the recent revisions to Regulation Z that were published by the Board of Governors of the Federal Reserve System, and Regulation A A that were published by the Board and the Office of Thrift Supervision and the National Credit Union Association. Throughout the review process we also appreciated the opportunity to meet with Mr. Leonard Chanin and his staff as they considered the various aspects and ultimate impact of the proposed rule.

As you may be aware, Lowe's is the second largest home improvement retailer in the world with locations in all 50 states. Given our national presence, we have partnered with G E Money Bank for over 30 years to provide over 10 million consumers with private label credit card accounts. The availability of store credit, including credit provided through the Lowe's private label program, is a critical driver of sales because it provides increased purchasing power to consumers thru attractive financing options and discounts on the products we sell.

We support the Agencies' decision to continue to allow deferred interest promotions and believe this will continue to play an important part of our credit program and Americans' ability to improve their largest asset - their home. Additionally, however, we urge the Board to provide an exception to the account-opening table requirements for variable rates and urge the Board to clarify that promotional rates that are available for both new and existing cardholders do not need to be disclosed in the Schumer box or the account-opening table.

## I. Deferred Interest Programs

The originally published Regulation A A rules would have prohibited deferred interest programs effective July 1, 2010. In the proposed clarifications, the Agencies concluded that deferred interest promotions should not be prohibited. **We agree with the Agencies' conclusion embodied in the clarified rules.** Deferred interest promotions are popular with our customers because they allow our customers to finance goods on very attractive terms. Over 2.5mm customer transactions have involved a free financing promotional offer during the last 12 months. In fact, the vast majority of customers who take advantage of these promotions pay no interest at all on the purchases they make under a promotion. We believe that these types of offers are particularly important in the current economic environment and should be encouraged.

## **II. Account-Opening Table**

The revised Regulation Z rules include a new requirement for credit card issuers to disclose the specific A P R's that will apply to the account in an account-opening table. In the proposed clarifications, the Board proposed some flexibility when A P R's are assigned based on the consumer's creditworthiness (i.e., risk-based pricing) and permitted the disclosure of the consumer's actual A P R in a separate document. While we applaud the Board for proposing the flexibility for disclosing risk-based A P R's, we believe that the Board needs to clarify that (i) the same flexibility applies to disclosing the current variable rate, and (ii) promotional rates that are available for both new and existing cardholders do not need to be disclosed in the Schumer box or the account-opening table.

Currently, our program provides for variable A P R's that vary in accordance with the prime rate. The A P R as of the date the application was printed is disclosed in the Schumer box as an application disclosure, and we provide the updated rate on a temporary shopping pass or other document before the customer makes a transaction on the account. If we and our credit card issuer were required to reprint and replace all point of sale applications every time the prime rate changed, we would have to replace over 2 million applications in more than 1650 stores several times a year (historically, the prime rate has changed an average of five times per year over the past five years). We are also concerned about the logistics and reliability of reprinting and replacing the application inventory in the short, 30-day timeframe the rules prescribe for accuracy of printed disclosures. In fact, it takes longer than 30 days to print, ship and display new application inventory. We see limited customer benefit to this waste of paper and effort.

The alternative we provide (to provide a Schumer box current as of the printing date and an updated rate on the shopping pass or other document provided before the first transaction) is a very reliable, systematic way to provide the customer with the latest rate information at the relevant time when they are contemplating a purchase. We urge the Agencies to adopt the same flexibility for variable rates that they have wisely adopted for risk-based rates.

### **B. Promotional Rate Disclosures.**

Clarification is also needed on how to disclose transaction-based promotions. Retailers and credit card issuers commonly offer promotional terms for certain transactions ("transaction-based promotions"), such as (i) an offer where the consumer will not be charged any interest for 6 months on purchases over a certain amount; or (ii) an offer where the consumer would be charged an A P R of 5.99 percent for 12 months on purchases of certain products. Transaction-based promotions vary frequently throughout the year, depending on several factors, such as the cost of the promotion, the margin on the underlying merchandise, and the desire to induce additional sales. Transaction-based promotions are typically offered to new and existing cardholders alike. Requiring transaction-based promotions to be disclosed in the account-opening table would significantly impair retailers' abilities to offer a variety of such promotions. Because of the complexity of replacing credit application materials, requiring transaction-based promotions to be in the Schumer box or account-opening table would necessitate a reduction in both the variety and seasonality of promotions. Based on the proposed clarifications confirming that it is acceptable to offer promotional rates to existing cardholders, we believe that disclosing transaction-based promotions in the Schumer box or account-opening table would not be required. The revised rules and proposed clarifications, however, are not clear. Therefore, we believe it is important to clarify that the disclosure of rates related to transaction-based promotions at the point of sale need not be included in the Schumer box or the account-opening table.

We appreciate the effort the Agencies and their staffs have made in issuing the Proposed Clarifications. Lowe's strongly supports the Agencies' decision to continue to allow deferred interest promotions and the flexibility it has provided for risk-based pricing. We appreciate the opportunity to provide our concerns about the disclosure of rates associated with variable rates and transaction-based promotions in the account-opening table. We are concerned that unless flexibility is provided on the disclosure of variable rates and the rates associated with transaction-based promotions at the point of sale, we will not be able to offer consumers these valuable credit opportunities.

Please do not hesitate to contact me if we can be of further assistance in this matter.

Best regards, signed

Michael A. Tummillo  
Vice President, Financial Services